Middle East market poised for steady long-term growth

by Charles Alcock

Business aviation in the Middle East is expected to keep growing at a faster rate than that seen in North America and Europe, but slower than the more dynamic expansion now being seen in the emerging markets of Asia. This is the broad consensus among manufacturers and service providers for a region that is now emerging from a somewhat unsettled two-year period that has seen some fallout from wider economic problems and the so-called Arab Spring political unrest.

According to Bombardier's most recent market forecast, the Middle East will receive 1,175 new business jets between 2011 and 2030, with 410 to be delivered through 2020 and a further 765 between 2021 and 2030. This represents a compound annual growth rate of 7 percent–less than half the 18-percent increase that was achieved in the market between 2004 and 2010.

MATT THURBER

Ali Al Naqbi, MEBAA chairman

Honeywell's latest Business Aviation Outlook, published in October 2011, also reveals signs that the Middle East market is maturing, with purchase expectations for the next five years down on record projections in 2009. Lowered fleet replacement rates are the main reason that expectations for the Middle East have lost some momentum compared with the nearby Asian market.

The local bizav market is now at a crucial stage of development, according to Middle East Business Aviation Association chairman Ali Al Naqbi. Its value will reach $1 billion by 2018, he said at a recent seminar in Dubai.

The Middle East has been a happy hunting ground for **Airbus**, accounting for approximately half of all Airbus Corporate Jet sales and deliveries, partly due to a strong local preference for larger aircraft. "Initially we were dealing with a lot of government customers, but now we see more private clients stepping up," said ACJ vice president François Chazelle. In his view, the European manufacturer's ACJ318 has especially strong prospects in the region since it has no direct counterpart in the rival Boeing Business Jets camp and it competes well with more traditional corporate aircraft.

Gama Aviation's subsidiary in the United Arab Emirates recently introduced a 14-passenger ACJ318 to its management fleet.

Another new ACJ operator in the region is Rizon Jet, headquartered in Doha, Qatar. It is preparing to start operating an ACJ319 for its owner from 2013.

Meanwhile, Jet Aviation's Dubai operation recently took delivery of an ACJ318 as part of its managed fleet. And in October, Aviation Link announced that it is to manage a pair of ACJ319s on behalf of clients from its base in Jeddah, Saudi Arabia.

"There was a lot of private aviation activity during the recent [Arab Spring] events, especially in the more stable areas," added Chazelle. "Once the revolutions are over and the dust settles we expect to see new governments wanting to increase their international exposure, and aircraft will be a key tool for this. For instance, there is still huge potential in Egypt, once the situation is more stable there. It is a large country with concentrated wealth."

Airbus also has several A330s and A340s being outfitted for VIP use in the Middle East. Meanwhile, Chazelle confirmed that Saudi Arabia's Prince Alwaleed bin Talal is anticipating delivery of the world's first VIP A380, although still to be resolved is which company will be entrusted with the king-size completions project.

At November's Dubai Air Show, **Dassault** acknowledged that the fallout from the Arab Spring political upheaval did, at least for a while, adversely impact business aircraft sales in the Middle East. However, according to Renaud Cloatre, the company's Dubai-based sales director for the region, there has been "strong activity" since the end of Ramadan in August.

The situation for charter demand has been quite different. "Demand was accelerated and made more complex by the Arab Spring," Cloatre told **AIN**. This trend has bolstered morale among the Falcon sales force, with Cloatre insisting that the Middle East remains a "strategic and promising area despite the financial crisis."

In fact, the local market today accounts for 7 to 10 percent of Dassault's business jet sales. The most important customer bases are now Saudi Arabia, the United Arab Emirates (UAE) and Oman. This is a big difference from two years ago, as Oman seems to have replaced Egypt in the top-three business aviation markets. A total of 60 Falcons are in service in the Middle East, up from 50 in 2009.

A fourth Falcon 7X has just been delivered to Saudi Private Aviation, a subsidiary of Saudi Arabian Airlines. The first three aircraft are already logging about twice the annual rate for the global charter fleet. Trickier, however, is the situation with Saudi operator National Air Services, which operates two Falcon 2000LXs. But the firm order it placed in 2007 for four aircraft (including the aforementioned two) and 20 options is still being "renegotiated."

From the perspective of **Bombardier**, the Middle East hasn't been untouched by recent troubling economic times, but it still shows plenty of promise. "It seems to have been the last market affected by the downturn and the first market to start to regain some traction," Bob Horner, senior sales vice president, told **AIN**.

The Canadian airframer's larger jets have long proved popular in the Middle East, but in recent years it has seen growing demand for the more modest Learjets as the customer base has diversified with a more active charter fleet exemplified by Bombardier customer Qatar Executive, which has been spreading its wings in adjoining markets such as Russia.

As part of an ongoing expansion of its sales team in the region, Bombardier has opened a new office in Dubai, from where its regional vice president runs local operations. The airframer has maintenance facilities in the shape of the ExecuJet Aviation operation, also in Dubai.

Gulfstream has seen continuing growth in the more stable areas of the Middle East–for the most part in the Arabian Gulf states–albeit at a slower pace than four or five years ago. "The shift has been most noticeable in terms of who is operating the aircraft," said Tarek Ragheb, senior regional vice president for sales for Europe, Africa and the Middle East. "At one time the aircraft were being operated mainly by royalty and other high-net-worth individuals, but more and more we are seeing them operated as business tools, as they are in the West."

Like Bombardier, Gulfstream has seen demand expand beyond its larger models (the G550 and G450), with the midsize G200 and G150 gaining ground in the charter sector, with operators such as Gainjet and Falcon Aviation.

The expansion of Gulfstream's product-support network in the Middle East has been channeled in large part through its General Dynamics sister company, Jet Aviation, which has bases in Dubai, Riyadh and Jeddah and at Abu Dhabi's new Al Bateen Executive Airport.

Sean McGeough, the **Hawker Beechcraft** president for Europe, the Middle East and Africa, also has seen a marked shift in the region's bizav demographics–a move that he said has favored the U.S. manufacturer. "Ten years ago, this was very much a big aircraft market…but in the past five years it has changed and we have seen more demand right across the Hawker and Beechcraft product lines," he told **AIN**.

According to McGeough, security concerns triggered by the continuing Arab Spring political uprisings have spurred interest in private aviation, and also in other applications for business aircraft, such as medical evacuation and aerial surveillance. By contrast, the corporate side of the market did slow down after 2008 and is only now seeing renewed signs of life, according to Hawker Beechcraft, for which the Middle East accounted for 22 percent of all aircraft deliveries over the past five years.

Once promising national markets, such as Egypt, are now viewed as being "on hold" due to continuing political turmoil. But others in the region, such as Lebanon, continue to thrive as Hawker territory and McGeough sees expanding prospects in the region for the new Hawker 4000 flagship. ❑

The Bombardier business jet fleet in the Middle East includes 13 Globals, 47 Challengers and 13 Learjets.

Analyst Notes Shrinkage in Middle East Bizav

The Middle East business aircraft fleet has shrunk by 6 percent, according to market analyst Brian Foley. "The Middle Eastern business jet population has declined from 550 to 516 aircraft in the last 12 months," reported Foley in December. "It represents a fleet contraction…mostly in large and midsize business jets with an aggregate value approaching three-quarters of a billion dollars that were either sold, grounded or repossessed."

Foley was reluctant to attribute the reduction in numbers to local upheavals, leadership changes and general unrest but said it is "simply residual fallout from the worldwide economic recession; [it is] certainly not cause for celebration, but still a sign of normal economic behavior as opposed to the repercussion of political events, and that's a very healthy signal."

Foley, who heads Brian Foley Associates of Sparta, N.J., went on to say that marginal players and underfinanced newcomers were generally the hardest hit over the past year. Larger and more solidly established operators were less affected–"scared but not scarred,"–Foley said. He warned that existing operators should read the reduction of the fleet as advice to manage their assets wisely. *–K.J.H.*

More than 100 aircraft crowded onto the static display at November's Dubai Air Show.

DAVID McINTOSH

Established Players Thrive as Middle East Market Consolidates

The promise of a growing market for business aviation brought a number of service providers to the Middle East. The market has gone from boom to flat and is now in a slow climb, and there are fewer service providers than during the boom time. Market consolidation has eliminated some upstarts, leaving the established providers. To read the full story, visit www.ainonline.com/mideastbizav. ■

ExecuJet's FBO in Dubai has seen an uptick in traffic in recent months.